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National Intelligence Bulletin

State Dept. review completed

DIA review(s) completed.

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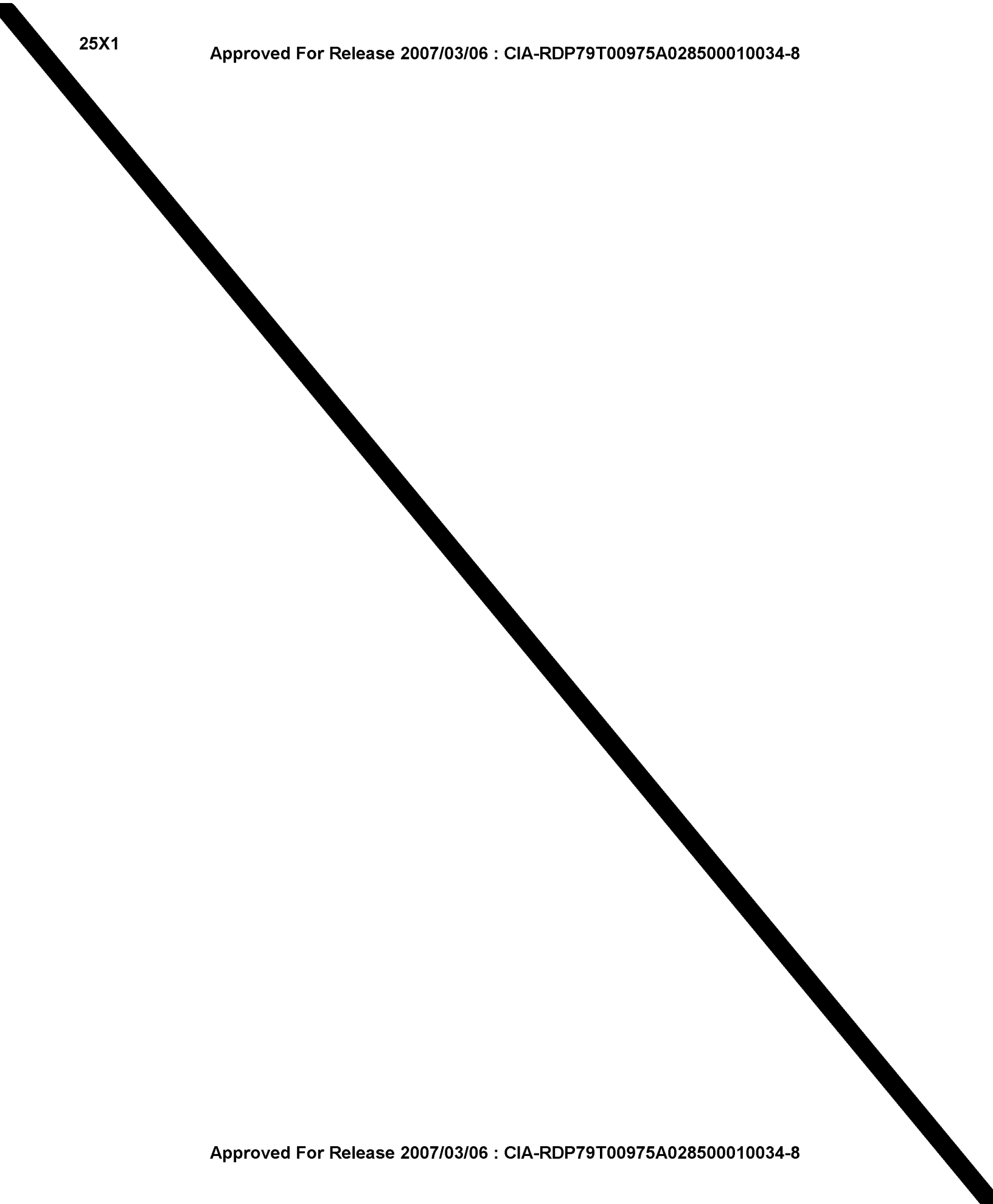

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

25X1

National Intelligence Bulletin

January 21, 1976

CONTENTS

LEBANON: Fighting continues, despite cease-fire order 1

PORTUGAL: Carvalho arrested 3

[redacted] 25X1

USSR-ANGOLA: Moscow rejects coalition for Angola 7

[redacted] 25X1

CYPRUS: Intercommunal talks to resume next month 10

25X1 [redacted]

SPAIN: Police prevent leftist rally 12

25X1 [redacted]

ARGENTINA: Labor protest 14

BRAZIL: Army commander fired 15

CHINA: Performance of the economy last year 16

[redacted] 25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

National Intelligence Bulletin

January 21, 1976

LEBANON

The fighting continued undiminished yesterday in most areas of Lebanon, despite a cease-fire arranged on Monday by President Franjiyah and Syrian President Asad. Both leaders met yesterday with representatives of the warring factions, presumably in search of acceptable terms for a new truce.

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The truce called for lifting the blockade of the camps in exchange for an end of the siege of Damour and several other Christian cities south of Beirut. Press reports from Beirut last night said Muslim leftists and Palestinians had captured Damour and a nearby Christian village.

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The Palestinians and their Muslim and leftist allies objected to halting the fighting in the face of new advances by the Christians on Muslim areas of Beirut. Christian militiamen took over a Muslim slum near the port area earlier this week, and yesterday they launched an attack on a Shia Muslim community.

Meanwhile, Prime Minister Karami has not pressed his threat to resign, despite the failure of the cease-fire to take hold. Prominent Sunni Muslims have made it clear that they would refuse to participate in the government if Karami submitted a formal resignation that was accepted by President Franjiyah.

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President Asad talked with leftist leader Kamal Jumblatt in Damascus yesterday and is scheduled to meet other leftist and Muslim leaders later this week.

Syrian and Lebanese leaders, with the notable exception of Shamun, appear to have intentionally kept silent on political and military developments over the past several days. This silence and a breakdown in communications between Beirut and other areas of the country have prompted what appear to be exaggerated press accounts of sweeping attacks by Muslims and Palestinians in the north around Tripoli and in the Bekaa Valley region. Muslim and leftist forces have had the upper hand in the north for some time and may have increased their pressure on the predominantly Christian communities in Zahlah. They also may have launched a countrywide campaign against government facilities and military installations. There is no evidence, however, that they have gained control of the northern and eastern regions.

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

25X1

The US defense attache in Damascus was told by the commander of the Palestine Liberation Army (PLA) that the Yarmuk Brigade—the military arm of Fatah—recently entered Lebanon and is now south of Zahlah. The Yarmuk force may include as many as 2,500 troops. The PLA commander also indicated that five of his army's seven battalions are now in Lebanon. No mention was made of the total number of men involved.

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The Israelis are monitoring developments in Lebanon very closely, but they continue to react in a low-key manner.

Defense Minister Peres is the only top Israeli official who has commented directly on the Lebanese situation in recent days. Speaking to graduating Israeli army officers last Monday, he explicitly directed his comments toward Syria, warning that if a "foreign army" intervened in Lebanon, Israel would be forced to take the "necessary defensive measures." Peres and the Israeli chief of staff yesterday toured Israel's border with Lebanon.

Other Israeli officials are largely restricting themselves to background briefings for journalists. They are playing down the recent movement of PLA troops from Syria into Lebanon, suggesting only that Asad may be using the PLA to pressure the Lebanese factions to reach a political compromise.

At the same time, however, the Israeli officials are echoing Peres' warning that Israel could not remain indifferent to Syrian military intervention. Israeli press commentators are also suggesting that Syrian forces on the Golan Heights might become more vulnerable if Asad should decide to divert Syrian forces to Lebanon.

25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

PORTUGAL

Shortly before it released the preliminary findings of an investigation into the abortive paratroop uprising of last November, the government yesterday ordered the arrest of Maj. Otelo de Carvalho, former Portuguese security chief.

Carvalho reportedly turned himself over to military authorities in Santarem, 35 miles northeast of Lisbon, where he will await formal charges. One press report said that 11 others named in the investigating commission's report were also arrested. Since the uprising, about 150 persons, most of them military officers, have been detained.

The commission was careful not to portray Carvalho, one of the leaders of the coup that brought the military to power in April 1974, as a ringleader of the November plot. In fact, his refusal to assume a leading role was cited as one of the reasons the uprising failed. Carvalho was implicated, however, because of his knowledge of the plot and his dereliction in allowing those under his command to proceed with their plans.

The Communist Party and the far left are blamed by the investigative team for creating the climate of instability that led to the uprising. The report describes the Communist strategy of instigating strikes and demonstrations prior to the paratroop rebellion, but concludes that the party withdrew its official support when it became clear the plot would fail.

The unfavorable references to the Communists are likely to put the party even more on the defensive and will do little to enhance its chances in the legislative assembly elections to be held before April 25.

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

Next 2 Page(s) In Document Exempt

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8 25X1

USSR-ANGOLA

Moscow continues publicly to attack the concept of a coalition government in Angola, as advanced by the Popular Movement's opponents at the Addis Ababa summit.

Apparently buoyed by Cuban-assisted Popular Movement successes on the battlefield, *Pravda's* weekly international review on January 18, in its strongest statement on the subject to date, claimed that there is no "realistic" basis for forming a government of national unity.

The *Pravda* article attributed such an idea to pressures from imperialist circles in the West—meaning the United States—and added that the results of the OAU summit had proven that imperialist forces cannot dictate the course of events in Angola. Progressive African countries, it insisted, will now more than ever rally to the support of the Popular Movement.

A working-level Soviet Foreign Ministry official reiterated this position on Monday in a conversation with a US embassy officer in Moscow. According to the official, "Angolans" are now sorting out their affairs, and outside powers "such as the US and South Africa" should not interfere with this process. He also said that Moscow's frequent demand that foreign forces withdraw from Angola referred only to the South Africans.

Meanwhile, Soviet media are continuing their efforts to play up the Popular Movement's claims to legitimacy as well as its military successes. *Pravda* on January 17 reported that National Front leader Holden Roberto had deserted to Kinshasa, and on the following day it repeated the claim that most of northern Angola had been "liberated." Zaire has come under increasing attack for actively supporting anti-MPLA forces, and National Union leader Savimbi is said to have turned to the West with repeated calls for aid. [redacted] 25X1

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

Next 1 Page(s) In Document Exempt

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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CYPRUS

Turkish Foreign Minister Caglayangil has announced that the intercommunal talks will resume in Vienna on February 17.

The Turkish government presumably plans to press Turkish Cypriot negotiator Denktash to drop some of his conditions for resuming the talks. Denktash has stipulated that UN Secretary General Waldheim must play only a ceremonial role, rather than actively mediate as in previous intercommunal sessions. Furthermore, Denktash wants the talks to be conducted by working groups in which Turkish and Greek mainlanders participate. These terms are unacceptable to the Greek side as well as to Waldheim.

Greek Cypriot negotiator Clerides' withdrawal of his resignation as representative to the talks removed one potential obstacle to getting them under way. Other obstacles, however, are likely to surface before February 17, and a concerted effort by all parties will probably be required to ensure that the negotiations are not derailed.

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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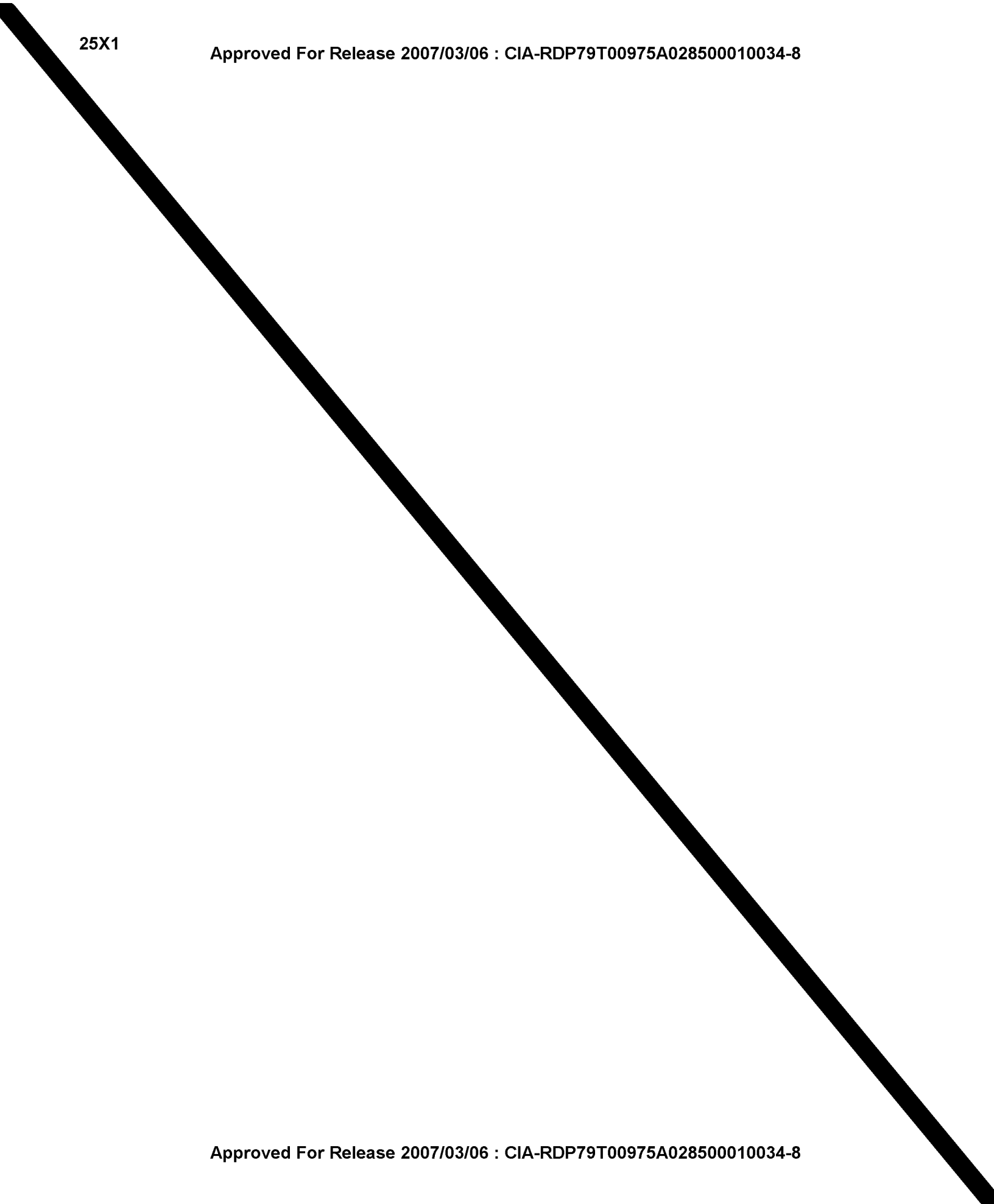

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

25X1

National Intelligence Bulletin

January 21, 1976

SPAIN

Spanish police prevented leftists from holding the rally that was planned last night in Madrid.

The government said the demonstration would disrupt public order and announced the police would take whatever measures were necessary to prevent it. Police did use tear gas and clubs to break up groups that were preparing to march toward the Prime Minister's office to demand amnesty and political reforms. The demonstrators, fewer than 8,000 of them, were diverted into side streets.

The government was apparently able to prevent the rally without using extreme measures that would have brought accusations that it was reverting to the repression of the Franco era.

The Communist-dominated Democratic Junta and the Socialist-led Platform of Democratic Convergence that planned the demonstration will now find it difficult to carry out other joint actions. Earlier, the Communist Party and several illegal labor organizations were calling for a general strike in January.

Factories in Madrid's industrial area were shut yesterday, following an unsuccessful attempt to reopen on Monday. Subway workers, whose ultimatum on their wage demands expired Monday, decided not to strike again but to await a decision of the official syndicate provincial council. The return to work of construction and port workers after winning pay raises has eased some of the labor tension.

25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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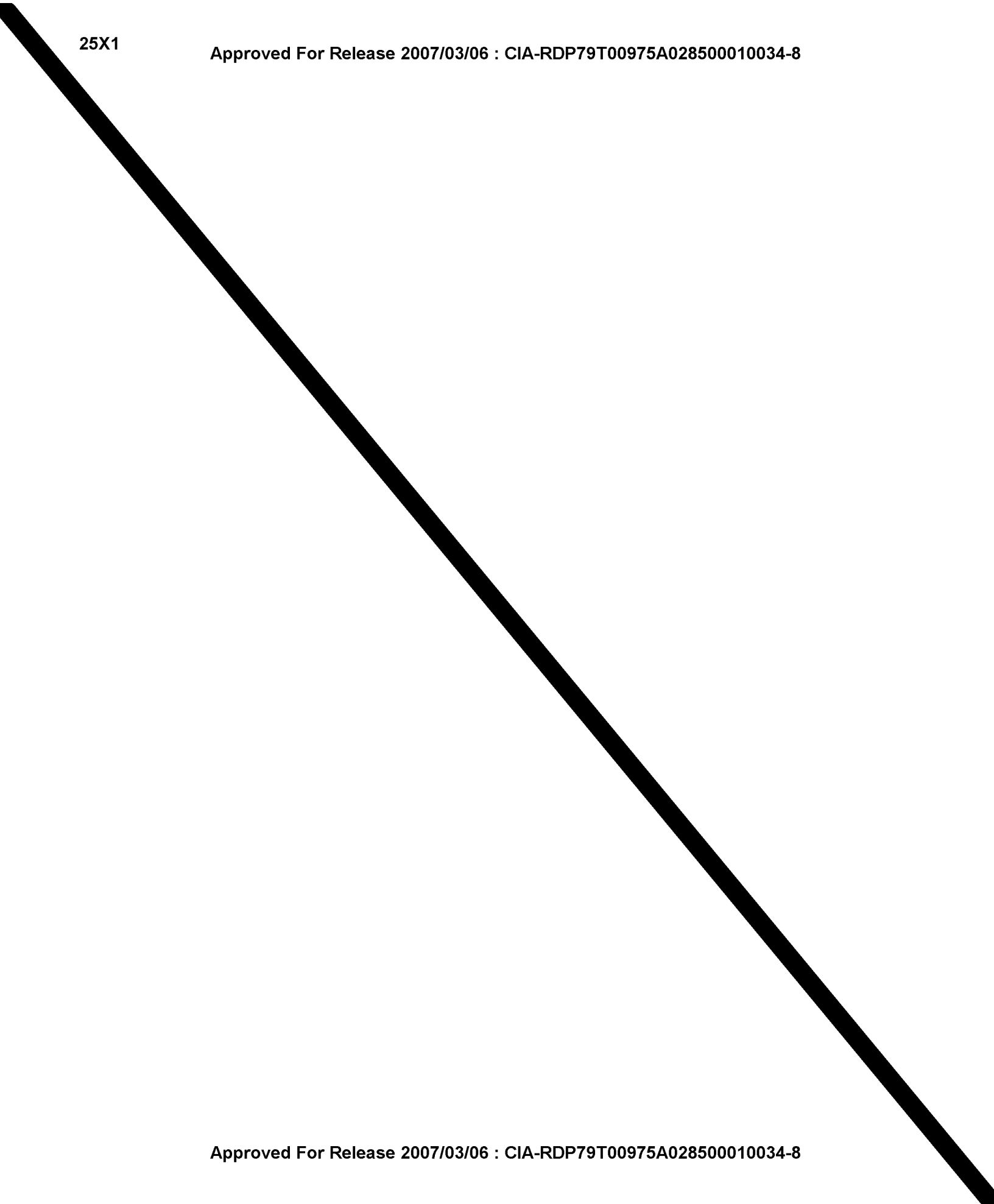

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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ARGENTINA

President Peron's cabinet shuffle last week reportedly has caused displeasure among labor chiefs, who claim they should have a voice in government.

Argentina's two principal labor leaders were rankled because she failed to consult them. They are said to be considering a 24-hour general strike on January 21. If it were to come off, it would be the second time within a year that labor has challenged the administration, and the President's primary power base could be further weakened.

Some labor leaders see an increase in power for several figures associated with former social welfare minister Jose Lopez Rega. Both Raul Lastiri, Lopez Rega's son-in-law, and ex-foreign minister Alberto Vignes are again presidential advisers. Should the President move to replace the two remaining cabinet members important to labor's interests—Economy Minister Cafiero and Labor Minister Ruchauf—the battle lines would be drawn for a major confrontation with labor.

The armed forces have not been willing to run the risk of an unfavorable reaction by labor to a military take-over. Although the services might interpret a strike as a signal that rank-and-file workers would support the President's ouster, there has been no suggestion that labor would in fact do so. [redacted]

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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BRAZIL

President Geisel has openly challenged the conservative wing of the army by firing one of its principal figures.

Geisel summarily replaced Second Army commander General D'Avila Mello, top officer in the Sao Paulo area, shortly after the death of a second civilian prisoner in an army jail. Sao Paulo newsman Vladimir Herzog died in his cell last fall, an alleged suicide.

Since taking office two years ago, Geisel has been seeking to curb the vast powers of conservative military and security officials, many of whom, at the local level, operate almost independent of Brasilia. The President has had limited success and the effort has brought him into conflict with those officers who argue that strong measures are still necessary to safeguard national security.

Geisel probably made the latest move to demonstrate to the conservatives that they cannot influence him unduly and to give substance to his promise last fall that he would not tolerate further incidents like the death of the newsman.

Geisel immediately named a close associate, General Dilermando Gomes Monteiro, to take over the important Sao Paulo command. Dilermando, who has presidential ambitions, will be hard put to enforce Geisel's orders concerning security excesses and at the same time maintain his popularity within the service.

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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CHINA

While operating more smoothly in 1975 than in 1974, the economy did not produce the banner year with which Peking had hoped to end the fourth five-year plan.

The Chinese press has reported only sparsely on economic performance in 1975 and on the outcome of the five-year plan. For example, the New Year's Day editorial in *People's Daily*—normally the vehicle for economic stocktaking—claimed only that industry and agriculture had fulfilled the five-year plan goals; Peking has never made these goals public. Based on sketchy information, our preliminary estimates for 1975 are that:

--industrial production rose about 10 percent, compared with only 5 percent in 1974;

--grain output was roughly the same as the record 255-260 million tons harvested the previous year;

--imports remained at the 1974 level of $7.5 billion, while exports rose from $6.5 billion to $7 billion.

The industrial advance was attributable largely to the easing of factional wrangling and labor unrest that had disrupted factories and mines in 1974. The fastest growth continued to be in the petroleum sector, with output of crude oil rising to 1.6 million barrels per day—a jump of more than 20 percent. Industrial performance was again marred, however, by persistent bottlenecks in the key steel and coal industries. Peking continued to add industrial capacity by commissioning major new plants of both foreign and domestic origin.

The performance of agriculture was generally disappointing. Only soybeans and such secondary crops as oilseeds, sugar, and tobacco showed gains. Grain production was about the same as in 1974, while cotton output was lower. Because of the record harvest of 1974, grain imports could be cut last year to less than 4 million tons from 7 million tons in 1974. Peking has given no indication that it will try to purchase more grain for 1976 than the 2.5 to 4.8 million tons already obligated under agreements with Canada and Australia.

A curb on imports reduced China's unprecedented $1-billion trade deficit in 1974 to about $500 million last year. Japan remained the top trading partner. Chinese imports from the US dropped from $949 million in 1974 to $320 million in 1975, the result of reduced Chinese purchases of US agricultural products. Chinese exports to the US increased to $155 million from $115 million in 1974.

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

At the National People's Congress a year ago, Premier Chou En-lai laid out a long-range economic program that concentrates resources on agricultural development. His successor, Teng Hsiao-ping, is a tough and experienced administrator and is likely to continue programs formulated by Chou. For the short run at least, we do not expect any radical revisions in economic plans or policies.

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8

Next 3 Page(s) In Document Exempt

Approved For Release 2007/03/06 : CIA-RDP79T00975A028500010034-8